Saskatchewan
Agriculture

Economics
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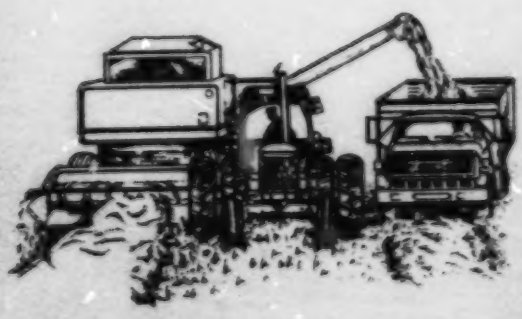
Farm
Management



Top Management Program
Cost of Producing Grain Crops
in Saskatchewan 1987

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Foreword

A manager of a business must keep in mind the fact that we live in a changing world. To successfully manage a business, a manager must be able to recognize and plan for changing conditions. A thorough knowledge of both production and financial requirements for each product produced in a farm business is needed to successfully deal with the changes that have and will continue to take place in the agricultural industry.

The Top Management program uses a computer forward planning model that generates a cost of production report as well as projected financial statements for the next five years. This computer model allows a farm manager to enter information on his farm business, develop different scenarios for the future and test the strength of the farm business.

This bulletin provides an outline of the Top Management program and a summary of the information gathered as well as a general overview of the market outlook for each crop. Average estimates of the cost to produce and return received per acre are provided on a crop and soil zone basis. With this information a farm manager will be able to assess the performance of this farm business as it relates to other farm businesses producing the same crops. This information will also be of use to individuals who are considering producing a crop as it will provide a guide to the cost and return associated with each crop.

This publication was prepared by the Farm Management Section of the Economics Branch, Saskatchewan Agriculture. The contribution of individuals who assisted in compiling and reviewing this publication is gratefully acknowledged. A special thank you is extended to Saskatchewan farmers who participated in the Top Management program, to Dr. Schoney of the University of Saskatchewan, and to Tom Thorson and his staff for their work with the Top Management program.

Farm Management Section
Economics Branch
Saskatchewan Agriculture
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Table of Contents

	Page
I. Introduction	1
General Information	1
Top Management Computer Reports vs Cost of Production Statement	1
Average for Brown Soil Zone	2
Cost of Production for Specific Crops, Brown Soil Zone	3
Average for Dark Brown Soil Zone	5
Cost of Production for Specific Crops, Dark Brown Soil Zone	6
Average for Black Soil Zone	9
Cost of Production for Specific Crops, Black Soil Zone	10
Market Outlook for 1987	13
General Outline of the Top Management Program	15

Introduction

This publication deals with the cost of producing a crop and the expected income for 1987. The information was obtained from an analysis of the data provided by 108 farmers who participated in the Top Management Program. The farms were categorized by soil zone. Estimates of the average cost to produce each specific crop in 1987 as well as an estimate for income was calculated.

Care must be exercised in interpreting the cost of production statement in this publication. While the statements are based on actual farm data for 1987 it must be recognized that the sample size is quite small and is not statistically drawn. Thus, the results should not be interpreted as provincial averages but should be used as a guide to the cost and returns associated with each specific crop.

General

The Top Management computer model allows farm managers to enter their cropping plans for the next five years. The computer model calculates detailed cost and returns for each crop for 1987 and a summary of income and expenses for the following four years. The cost and returns shown in this publication are an average of the detailed estimates calculated for each farmer for 1987. Figures were not calculated for a crop if less than four farmers planned to produce the crop or if less than 650 acres were sown to the crop in 1987.

Top Management Computer Reports Vs Cost of Production Statements

Each farmer received a complete set of reports for his farm. In calculating the statements shown in the publication the following adjustments were made to the actual farmer reports:

1. Total Crop Inputs plus crop insurance would represent the same figure as materials on Table 12 of the Top Management report.

2. Equipment Expenses - The Top Management Computer Program divides equipment expenses (fuel, oil, lubricants and repairs) into direct and indirect cash expenses. The direct cash expenses are assigned directly to each crop produced and are shown on Table 12 of the Top Management reports as variable costs. Indirectly allocated equipment costs for power and repair are also shown on Table 12 of the Top Management report as fixed costs. These indirect costs are shown as indirect equipment expenses on the statements in this publication.

3. The Top Management Computer Program calculates a land charge that includes both interest on investment and property taxes. No attempt was made to separate the property taxes out of the total land cost. The property tax figure included in these statements is a provincial average taken from statistics.

4. Net Farm Cash Income in this publication is the difference between the total income and total cash expenses. This amount represents the actual dollars that a farmer has from each specific crop to cover his living costs, loan payments, and to accumulate savings.

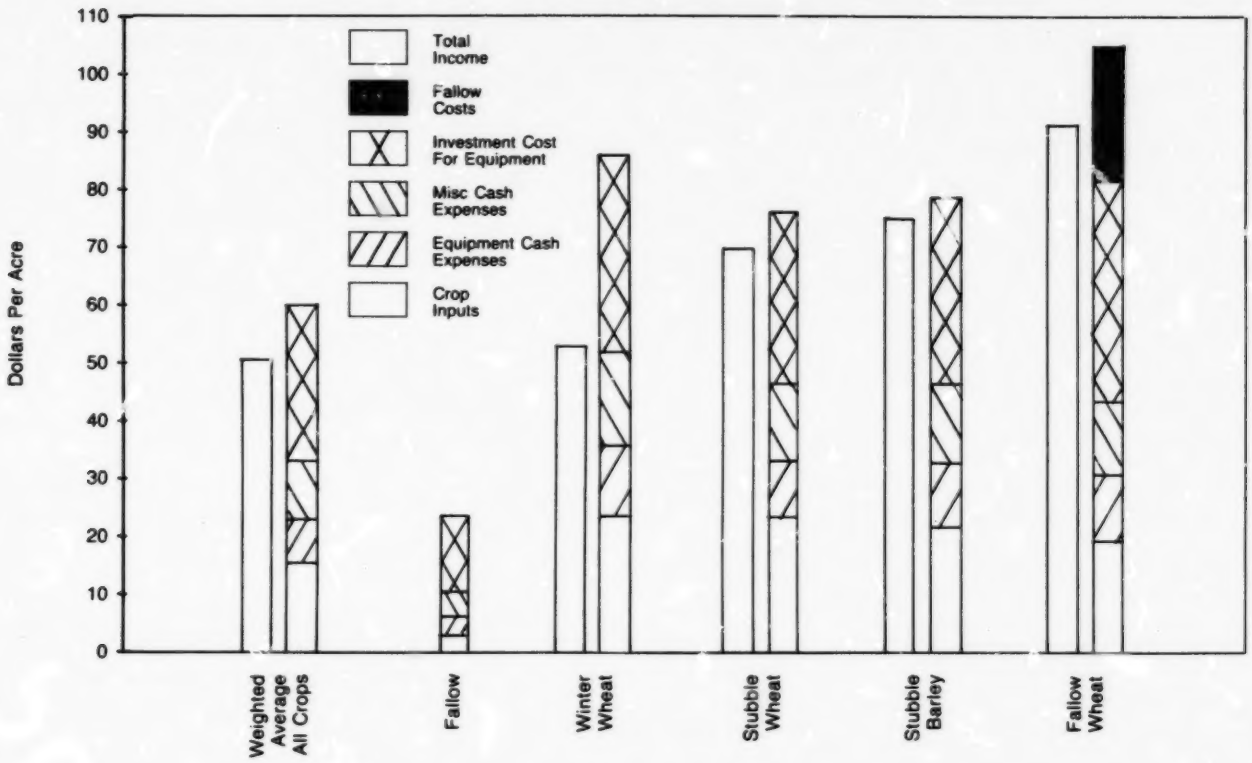
   On Table 12 of the Top Management report, Return Above Variable Cost plus $2.89 for taxes plus the fixed costs of General Overhead and Power and Repair would equal the same figure.

5. Net Farm Income is the difference between the total income for each crop and the total cash and fixed expenses. This amount represents the return to the farmer's labour and management and a return to the investment in the farm land.

   On Table 12 of the Top Management report, Returns to Labour and Management plus $2.89 for taxes minus the total Land Charges and Management would equal the same figure.

6. Operating interest is calculated based on the interest rate provided by the farmer multiplied by the total direct cash costs for six months.

Brown Soil Zone
Average Returns and Costs For Specific Crops



CROPS

Weighted Average For All Crops — $ Per Cultivated Acre

Total Income	$50.60
Crop Inputs	$14.76
Equipment Cash Expenses	$ 8.09
Miscellaneous Cash Expenses	$ 9.97
Int. & Dep. on Eqpt. Investment	$26.98
Total Fixed and Cash Expenses	$59.80

Table 2.1

Brown Soil Zone

	Summerfallow	Summerfallow Wheat	Stubble Wheat
Number in this group	14.00	15.00	11.00
Total acres in this crop	5162.00	4128.00	2560.00
Projected income			
Price per bushel	—	3.01	3.05
Bushels per acre	—	30.48	22.73
Total Income	—	**91.88**	**69.32**
		Dollars per Acre	
Projected Expenses			
Crop inputs			
Seed	—	5.25	5.03
Fertilizer: Nitrogen	—	1.15	4.71
Phosphorus	—	4.29	1.47
Other	—	0.60	5.93
Chemical			
Broad leaf control	1.96	2.80	5.54
Grassy weed control	0.66	5.63	1.23
Other	0.02	0.23	0.24
Total Crop Inputs	**2.64**	**19.96**	**24.16**
Equipment Expenses			
Fuel, oil and lubricants	1.89	3.33	2.92
Repairs and maintenance	1.20	4.44	3.69
Custom rental	0.01	0.06	0.58
Indirect equipment expenses	0.53	2.89	2.70
Total Equipment Expenses	**3.62**	**10.73**	**9.88**
Other Expenses			
Labour	—	0.05	0.04
Crop insurance	—	3.26	3.50
Property taxes	2.89	2.89	2.89
Miscellaneous	0.58	4.35	3.96
Operating interest	0.27	1.73	1.92
Total Other Costs	**3.74**	**12.29**	**12.30**
Total Cash Costs	**10.00**	**42.98**	**46.34**
Interest and depreciation on buildings and equipment	13.45	38.81	29.72
Total Cash and Fixed Cost	**23.45**	**81.79**	**76.06**
Net Farm Cash Income	**-10.00**	**48.90**	**22.98**
Net Farm Income	**-23.45**	**10.09**	**-6.74**
Direct time per acre (hours)	0.27	0.67	0.59
Number of gallons of fuel/acre	1.35	3.47	3.08
Investment in equip./acre	50.01	145.43	123.43
Investment in bldgs./acre	11.09	46.14	34.42

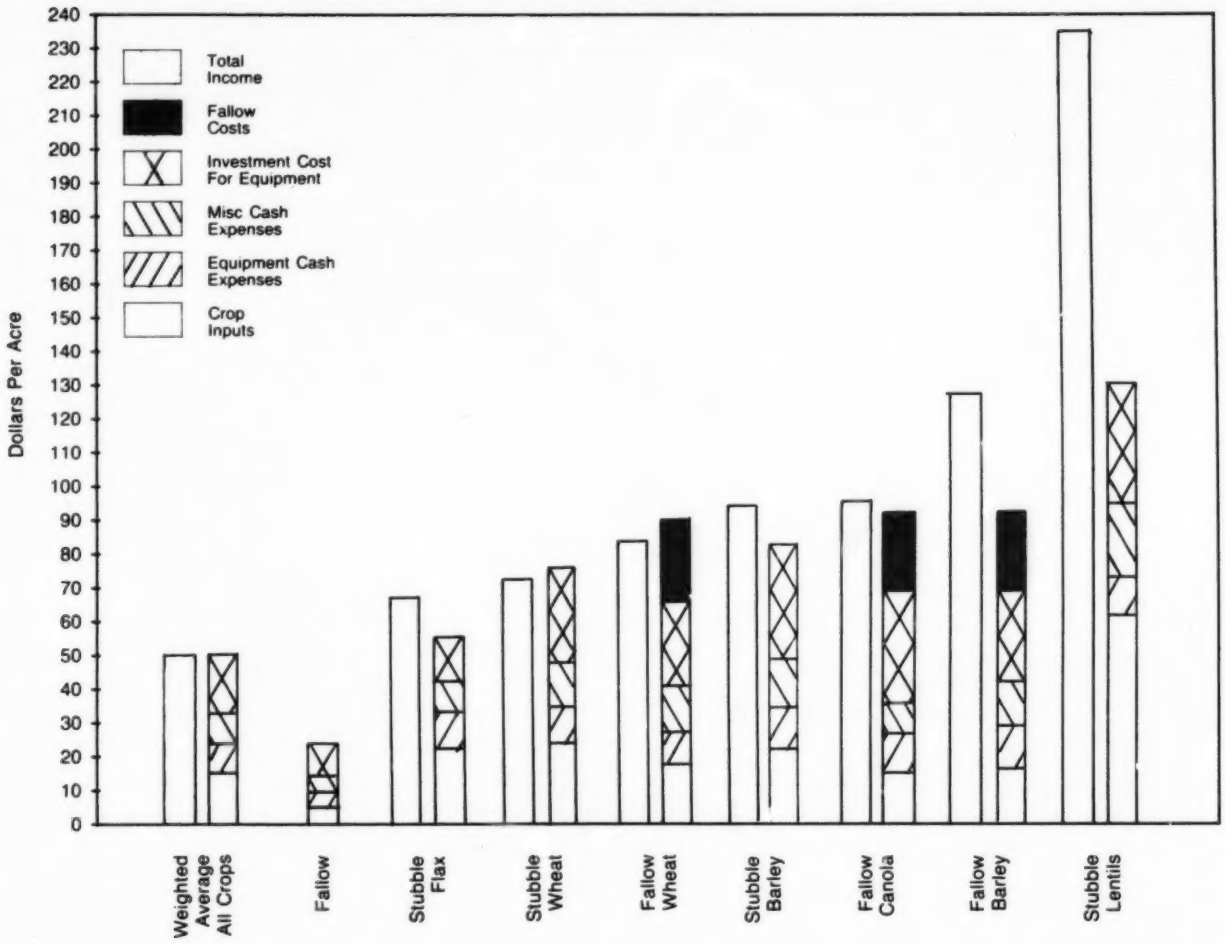
Table 2.2

Brown Soil Zone

	Stubble Barley	Winter Wheat
Number in this group	5.00	6.00
Total acres in this crop	1661.00	785.00
Projected income		
Price per bushel	1.56	2.65
Bushels per acre	48.24	20.01
Total Income	**75.22**	**53.04**
	Dollars per Acre	
Projected Expenses		
Crop inputs		
Seed	3.58	3.82
Fertilizer: Nitrogen	1.03	9.19
Phosphorus	0.78	3.99
Other	11.88	0.00
Chemical		
Broad leaf control	4.32	2.65
Grassy weed control	0.10	0.57
Other	0.27	1.08
Total Crop Inputs	**21.96**	**21.29**
Equipment Expenses		
Fuel, oil and lubricants	3.18	2.86
Repairs and maintenance	4.31	4.87
Custom rental	0.00	0.09
Indirect equipment expenses	3.26	4.22
Total Equipment Expenses	**10.76**	**12.05**
Other Expenses		
Labour	0.00	0.06
Crop insurance	3.19	3.95
Property taxes	2.89	2.89
Miscellaneous	5.85	6.66
Operating interest	1.86	1.89
Total Other Costs	**13.80**	**15.45**
Total Cash Costs	**46.51**	**48.79**
Interest and depreciation on buildings and equipment	31.89	34.36
Total Cash and Fixed Cost	**78.40**	**83.16**
Net Farm Cash Income	**28.71**	**4.24**
Net Farm Income	**-3.18**	**-30.12**
Direct time per acre (hours)	0.76	0.68
Number of gallons of fuel/acre	4.03	3.30
Investment in equip./acre	118.41	119.36
investment in bldgs./acre	48.12	72.06

Dark Brown Soil Zone

Average Returns and Costs
For Specific Crops



CROPS

Weighted Average For All Crops — $ Per Cultivated Acre

Total Income	$52.16
Crop Inputs	$15.21
Equipment Cash Expenses	$ 8.59
Miscellaneous Cash Expenses	$ 9.01
Int. & Dep. on Eqpt. Investment	$19.70
Total Fixed and Cash Expenses	$52.51

Table 3.1

Dark Brown Soil Zone

	Summerfallow	Summerfallow Wheat	Stubble Wheat
Number in this group	45.00	49.00	47.00
Total acres in this crop	22834.00	13650.00	12559.00
Projected income			
Price per bushel	—	3.10	2.98
Bushels per acre	—	27.26	24.20
Total Income	—	84.63	72.04
		Dollars per Acre	
Projected Expenses			
Crop inputs			
Seed	—	5.56	5.31
Fertilizer: Nitrogen	—	0.60	5.08
Phosphorus	—	3.48	3.43
Other	—	0.82	3.82
Chemical			
Broad leaf control	2.13	3.11	2.04
Grassy weed control	2.85	4.60	4.35
Other	0.08	0.32	0.26
Total Crop Inputs	**5.05**	**18.48**	**24.28**
Equipment Expenses			
Fuel, oil and lubricants	2.28	4.34	3.98
Repairs and maintenance	1.79	4.78	4.67
Custom rental	0.06	0.03	0.09
Indirect equipment expenses	0.43	1.82	2.20
Total Equipment Expenses	**4.56**	**10.97**	**10.94**
Other Expenses			
Labour	—	0.02	0.02
Crop insurance	—	2.23	2.16
Property taxes	2.89	2.89	2.89
Miscellaneous	1.09	4.99	5.51
Operating interest	0.33	1.59	2.10
Total Other Costs	**4.30**	**11.73**	**12.67**
Total Cash Costs	**13.91**	**41.18**	**47.90**
Interest and depreciation on buildings and equipment	9.29	24.80	26.97
Total Cash and Fixed Cost	**23.20**	**65.99**	**74.87**
Net Farm Cash Income	**-13.91**	**43.45**	**24.15**
Net Farm Income	**-23.20**	**18.64**	**-2.83**
Direct time per acre (hours)	0.26	0.69	0.68
Number of gallons of fuel/acre	1.67	3.77	3.76
Investment in equip./acre	43.23	107.79	112.27
Investment in bldgs./acre	2.75	21.61	26.98

Table 3.2

Dark Brown Soil Zone

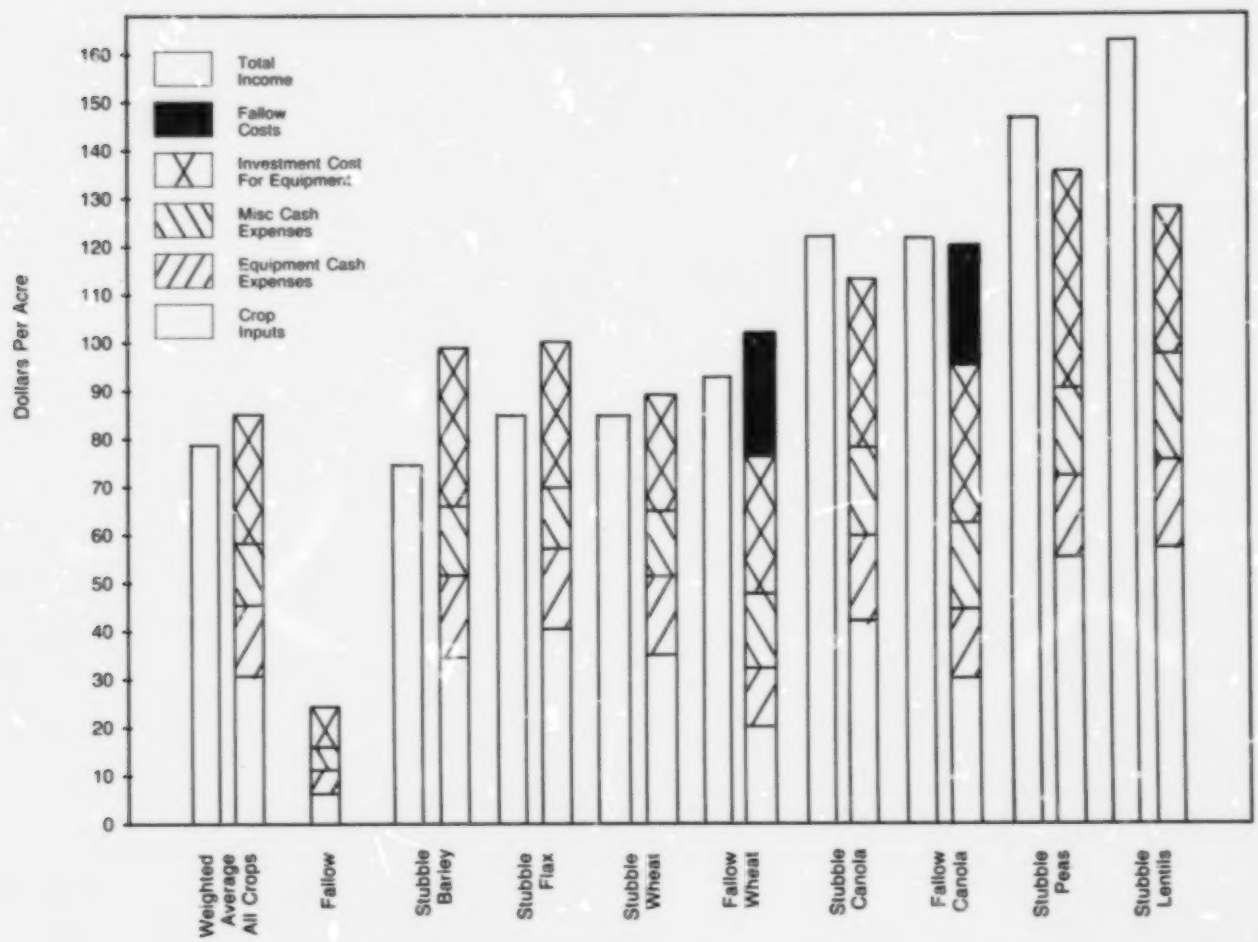
	Summerfallow Barley	Stubble Barley	Summerfallow Canola
Number in this group	15.00	17.00	9.00
Total acres in this crop	2007.00	3157.00	1401.00
Projected income			
Price per bushel	2.46	2.35	4.28
Bushels per acre	51.39	39.89	21.96
Total Income	**126.27**	**93.93**	**94.08**
		Dollars per Acre	
Projected Expenses			
Crop inputs			
Seed	4.02	3.92	4.37
Fertilizer: Nitrogen	1.38	7.33	0.00
Phosphorus	5.50	2.73	3.34
Other	0.39	1.42	2.03
Chemical			
Broad leaf control	3.35	4.52	0.16
Grassy weed control	2.61	2.31	5.01
Other	0.22	0.67	0.83
Total Crop Inputs	**17.47**	**22.90**	**15.74**
Equipment Expenses			
Fuel, oil and lubricants	5.57	5.45	4.47
Repairs and maintenance	5.33	5.57	4.05
Custom rental	0.15	0.17	0.05
Indirect equipment expenses	1.94	2.06	2.51
Total Equipment Expenses	**12.99**	**13.26**	**11.07**
Other Expenses			
Labour	0.00	0.00	0.00
Crop insurance	2.17	1.64	2.68
Property taxes	2.89	2.89	2.89
Miscellaneous	4.59	4.80	3.06
Operating interest	1.69	2.11	1.88
Total Other Costs	**11.34**	**11.45**	**10.51**
Total Cash Costs	**41.80**	**47.61**	**37.32**
Interest and depreciation on buildings and equipment	27.27	31.33	31.69
Total Cash and Fixed Cost	**69.07**	**78.94**	**69.01**
Net Farm Cash Income	**84.47**	**46.33**	**56.76**
Net Farm Income	**57.20**	**15.00**	**25.07**
Direct time per acre (hours)	0.93	0.82	0.53
Number of gallons of fuel/acre	4.62	4.62	4.24
Investment in equip./acre	121.01	129.48	132.12
Investment in bldgs./acre	18.15	26.46	23.79

Table 3.3

Dark Brown Soil Zone

	Stubble Flax	Stubble Lentils
Number in this group	4.00	5.00
Total acres in this crop	670.00	823.00
Projected Income		
Price per bushel	3.95	12.47
Bushels per acre	16.46	18.90
Total Income	**64.98**	**235.59**
	Dollars per Acre	
Projected Expenses		
Crop inputs		
Seed	4.66	26.97
Fertilizer: Nitrogen	3.89	0.89
Phosphorus	7.18	4.78
Other	2.39	0.00
Chemical		
Broad leaf control	1.37	9.56
Grassy weed control	4.04	14.72
Other	0.16	5.10
Total Crop Inputs	**23.70**	**62.02**
Equipment Expenses		
Fuel, oil and lubricants	3.15	3.71
Repairs and maintenance	4.11	4.80
Custom rental	0.00	0.00
Indirect equipment expenses	2.33	2.99
Total Equipment Expenses	**9.59**	**11.50**
Other Expenses		
Labour	0.00	0.00
Crop insurance	1.34	4.32
Property taxes	2.89	2.89
Miscellaneous	2.92	10.92
Operating interest	1.59	3.77
Total Other Costs	**8.74**	**21.90**
Total Cash Costs	**42.02**	**95.42**
Interest and depreciation on buildings and equipment	14.22	34.19
Total Cash and Fixed Cost	**56.24**	**129.62**
Net Farm Cash Income	**22.96**	**140.17**
Net Farm Income	**8.74**	**105.98**
Direct time per acre (hours)	0.74	0.66
Number of gallons of fuel/acre	3.20	3.82
Investment in equip./acre	67.67	153.43
Investment in bldgs./acre	11.04	31.34

Black Soil Zone
Average Returns and Costs For Specific Crops



CROPS

Weighted Average For All Crops — $ Per Cultivated Acre

Total Income	$78.53
Crop Inputs	$30.42
Equipment Cash Expenses	$13.47
Miscellaneous Cash Expenses	$12.90
Int. & Dep. on Eqpt. Investment	$27.03
Total Fixed and Cash Expenses	$84.12

Table 4.1

Black Soil Zone

	Summerfallow	Summerfallow Wheat	Stubble Wheat
Number in this group	25.00	15.00	42.00
Total acres in this crop	7533.00	2904.00	14439.00
Projected income			
Price per bushel	—	3.24	2.77
Bushels per acre	—	27.97	30.39
Total Income	—	**90.50**	**84.21**
		Dollars per Acre	
Projected Expenses			
Crop inputs			
Seed	—	5.07	6.20
Fertilizer: Nitrogen	—	4.52	11.30
Phosphorus	—	4.52	5.99
Other	—	0.22	0.97
Chemical			
Broad leaf control	1.28	3.29	2.70
Grassy weed control	3.24	7.26	6.73
Other	—	0.12	0.57
Total Crop Inputs	**4.51**	**20.92**	**34.47**
Equipment Expenses			
Fuel, oil and lubricants	3.02	3.68	6.58
Repairs and maintenance	2.40	4.36	5.99
Custom rental	—	—	0.14
Indirect equipment expenses	0.55	2.59	2.84
Total Equipment Expenses	**5.97**	**10.62**	**15.54**
Other Expenses			
Labour	—	—	—
Crop insurance	—	3.88	2.62
Property taxes	2.89	2.89	2.89
Miscellaneous	0.70	6.34	5.00
Operating interest	0.43	1.78	2.86
Total Other Costs	**4.02**	**14.90**	**13.37**
Total Cash Costs	**14.51**	**46.45**	**63.38**
Interest and depreciation on buildings and equipment	9.75	24.65	28.84
Total Cash and Fixed Cost	**24.26**	**71.10**	**92.22**
Net Farm Cash Income	**-14.51**	**44.06**	**20.83**
Net Farm Income	**-24.26**	**19.40**	**8.01**
Direct time per acre (hours)	0.45	0.89	0.79
Number of gallons of fuel/acre	2.36	3.43	4.54
Investment in equip./acre	54.73	99.04	125.17
Investment in bldgs./acre	2.54	19.27	29.13

Table 4.2

Black Soil Zone

	Stubble Barley	Summerfallow Canola	Stubble Canola
Number in this group	32.00	15.00	23.00
Total acres in this crop	5835.00	2627.00	3984.00
Projected income			
Price per bushel	1.52	4.48	5.07
Bushels per acre	48.84	26.70	23.68
Total Income	**74.04**	**119.70**	**120.10**
		Dollars per Acre	
Projected Expenses			
Crop inputs			
Seed	4.83	5.04	4.56
Fertilizer: Nitrogen	12.11	2.21	14.22
Phosphorus	5.69	3.53	4.30
Other	1.40	3.32	2.44
Chemical			
Broad leaf control	3.74	—	1.03
Grassy weed control	6.17	11.12	12.35
Other	0.35	4.60	2.43
Total Crop Inputs	**34.28**	**29.83**	**41.34**
Equipment Expenses			
Fuel, oil and lubricants	6.02	4.82	7.18
Repairs and maintenance	7.06	5.52	6.59
Custom rental	0.42	0.38	0.38
Indirect equipment expenses	2.95	3.01	2.95
Total Equipment Expenses	**16.46**	**13.73**	**17.10**
Other Expenses			
Labour	—	—	—
Crop insurance	2.94	5.62	4.31
Property taxes	2.89	2.89	2.89
Miscellaneous	4.84	5.94	6.85
Operating interest	2.86	2.77	3.55
Total Other Costs	**13.52**	**17.22**	**17.61**
Total Cash Costs	**64.27**	**60.78**	**76.04**
Interest and depreciation on buildings and equipment	32.62	32.53	34.59
Total Cash and Fixed Cost	**96.89**	**93.31**	**110.63**
Net Farm Cash Income	**9.77**	**58.93**	**44.06**
Net Farm Income	**-22.85**	**26.39**	**9.47**
Direct time per acre (hours)	1.03	0.89	0.77
Number of gallons of fuel/acre	4.78	3.89	5.45
Investment in equip./acre	124.92	124.05	148.26
Investment in bldgs./acre	29.45	26.62	30.02

Table 4.3

Black Soil Zone

	Stubble Flax	Stubble Peas	Stubble Lentils
Number in this group	17.00	11.00	9.00
Total acres in this crop	2713.00	1445.00	1485.00
Projected income			
Price per bushel	3.94	4.42	9.66
Bushels per acre	21.23	32.38	16.50
Total Income	**83.73**	**143.07**	**159.32**
		Dollars per Acre	
Projected Expenses			
Crop inputs			
Seed	5.35	18.65	24.14
Fertilizer: Nitrogen	12.02	6.46	1.79
Phosphorus	4.93	5.34	5.11
Other	1.32	1.92	1.12
Chemical			
Broad leaf control	3.03	4.10	5.38
Grassy weed control	13.16	14.30	13.40
Other	0.24	3.75	5.73
Total Crop Inputs	**40.05**	**54.53**	**56.67**
Equipment Expenses			
Fuel, oil and lubricants	5.87	6.60	5.87
Repairs and maintenance	5.71	6.06	7.63
Custom rental	0.06	—	—
Indirect equipment expenses	3.95	3.33	4.00
Total Equipment Expenses	**15.59**	**15.99**	**17.51**
Other Expenses			
Labour	—	—	—
Crop insurance	2.95	3.58	4.22
Property taxes	2.89	2.89	2.89
Miscellaneous	4.57	8.05	9.05
Operating interest	3.06	3.73	4.56
Total Other Costs	**13.48**	**18.25**	**20.72**
Total Cash Costs	**69.12**	**88.77**	**94.91**
Interest and depreciation on buildings and equipment	28.84	43.41	30.48
Total Cash and Fixed Cost	**97.96**	**132.18**	**125.39**
Net Farm Cash Income	**14.62**	**54.30**	**64.41**
Net Farm Income	**-14.22**	**10.89**	**33.93**
Direct time per acre (hours)	0.87	0.87	0.84
Number of gallons of fuel/acre	5.43	5.65	4.68
Investment in equip./acre	146.60	168.03	120.67
Investment in bldgs./acre	28.25	25.01	19.41

Market Outlook

The following information was taken from Crop Market Prospects prepared by Saskatchewan Agriculture and the University of Saskatchewan. If you would like to have a complete copy of Crop Market Prospects 1987, please contact Dale Sigurdson, Economics Branch, Room 329 - Walter Scott Building, Regina S4S 0B1 (phone 787-7312).

Wheat Market Prospects

Forecast for 1987-88

World wheat stocks for 1987 will be at an all time high. The United States loan rate for 1987 is $2.28 per bushel, a decrease of five percent from the 1986 loan rate. The United States will become more agressive in their use of E.E.P. (Export Enhancement Program). An increase in the value of the Canadian dollar will result in lower Canadian wheat prices. Prospects for wheat movement looks good for this year. World wheat trade is projected to increase this coming year because of the lower price.

1987 Wheat Forecast
#1 CWRS (Saskatoon)

Price $/bu	Probability
2.30 - 2.80	30%
2.80 - 3.15	60%
over - 3.15	10%

Forecast $2.90/bushel

Durum Wheat Prospects

Forecast for 1987-88

The carryover in Canada is forecast to be approximately 2.1 million tonnes (75 million bushels), which is the highest in several years. In the U.S., carryover is forecast at 2.2 million tonnes (82 million bushels), the lowest since 1980/81. The Canadian seeded durum acreage should reach approximately five million acres which is up slightly from 4.65 million acres in 1986. In 1986, the U.S. decreased durum acreage to seed more spring wheat, while Canadians increased durum acreage. The U.S. durum seeded acreage for 1987 is forecast at 3.6 million acres, which is 600 thousand acres over 1986. With good moisture conditions in both the U.S. and Canada, possibly offset by a decrease in fertilizer use, the forecast durum production in Canada is 130 million bushels, and 122.5 million bushels in the U.S. Including carryover, total durum supplies in Canada and the U.S. would be 11,190 thousand tonnes, only slightly higher than a year ago.

The four major factors affecting the 1987/88 price are: the U.S. loan rate, the E.E.P. import demand and total North American export supplies. The U.S. loan rate for durum is $2.28, the same as for spring wheat. The most critical factor, and the most difficult to evaluate is the impact of the E.E.P. which gives rise to the downside risk. It is also very important to watch for official government seeded acreage intention reports in late March and early April.

1987 Durum Forecast
#1 CWAD

Price $/bu	Probability
under - 2.70	5%
2.70 - 3.20	60%
3.20 - 3.40	30%
over - 3.40	5%

Forecast $3.20/bushel

Coarse Grain Prospects

Forecast for 1987-88

Assuming that Canadian barley acreage declines to approximately 10.0 million acres, barley production is forecast to be 475 million bushels (10.3 million tonnes). With carryover of 4.5 million tonnes, total supplies in 1987/88 are forecast to be 14.8 million tonnes. Domestic use should remain at 7.8 million tonnes or slightly higher. Exports could be reduced by 1.5 million tonnes from 1986/87 to 4.5 million tonnes in 1987/88. Canadian production, carryover and supplies of oats were up 30% in 1986/87. Therefore, ending stocks should be about 1.6 million tonnes, double that of 1985/86. Acreage should decline from 3.2 million acres in 1986 to 2.8 million acres in 1987.

Low oats supplies in the U.S. and the fact that oats can be seeded on corn set aside acreages should result in a large oat acreage in the U.S. The Canadian rye situation was relatively unchanged with total supplies at 981 thousand tonnes in 1985/86, and total supplies in 1986/87 at 987 thousand tonnes. Ending stocks will be unchanged at 335 thousand tonnes. Rye acreage should be down 15 - 20% in 1987/88. The price forecast is a blend of domestic and C.W.B. markets.

1987 Coarse Grains Forecast

Price $/bu	Probability
#1 C.W. (Feed) Barley	
under - 1.00	10%
1.00 - 1.20	30%
1.20 - 1.30	35%
1.30 - 1.65	20%
over - 1.65	5%

Forecast $1.20- $1.30/bushel

#1 Feed Oats Forecast $0.85/bushel
#1 CW Rye Forecast $1.65/bushel

Canola and Flax Prospects

Forecast for 1987/88

E.E.C. will probably harvest a bumper canola crop in 1987/88 of almost five million tonnes, which is up over one million tonnes from last year. U.S. soybean acreages will probably be lower in 1987/88. The forecast for U.S. soybeans is 59 million seeded acres, with a yield of 31 bushels per acre. Production should reach 1.83 million bushels. Low relative canola prices, along with other factors, will reduce canola and flax acreages. Risks for 1987/88 include: changes in the U.S. soybean loan program or the introduction of a marketing loan; the loan rate of $4.77 per bushel in 1987/88 which will decline to the $4.50 - $4.60 range in 1988/89, possibly depressing prices next year; expansion of BICEP (Bonus Incentive Commodity Enhancement Program) for U.S. soyoil; and uncertainties of an oil tax by the E.E.C. There is also a downside price risk for Canadian oilseeds because of no initial payment guarantee. The quota change by the C.W.B. reduced the profitability of canola and flax in the 1986/87 crop year. The Special Canadian Grains Program rewarded wheat acreage more than canola and flax. Increased usage of herbicides such as Glean reduces the acreage potential for canola and flax. Canola acreage for 1987 is projected to decrease by three percent. 1986/87 has the lowest flax price relative to wheat in the past 20 years and flax acreage is therefore expected to decline by 25 percent.

Canola (000 tonnes)

	1986/87	1987/88
Beginning Stocks	973	1165
Production	3887	3500
Total Supply	4865	4665
Exports	1950	1750
Domestic Use	1750	1700
End Stocks	1165	1215

1987 Canola Forecast
#1 Canada Canola (Saskatoon)

Price $/bu	Probability
less than 3.50	20%
3.50 - 5.00	60%
over 5.00	20%

Forecast $3.90/bushel

Canadian Flax (000 tonnes)

	1986/87	1987/88
Beginning Stocks	306	518
Production	1067	688
Total Supply	1373	1206
Exports	715	680
Domestic Use	140	140
End Stocks	518	386

1987 Flaxseed Forecast
#1 Canada Flaxseed (Saskatoon)

Price $/bu	Probability
less than 3.10	20%
3.10 - 4.80	60%
over 4.80	20%

Forecast $3.90/bushel

Specialty Crops Prospects

Total seeded acres of specialty crops will increase by about seven percent in Saskatchewan. The largest increase will be in lentils and peas. There will be a 50 percent increase in lentil acreage, which will mean a marked decrease in price. The price of lentils early last year reached $0.34 per pound, but hovered around $0.20 per pound for the most part. The March price for lentils is $0.14 per pound.

The acreage of peas is forecast to increase 35 percent. In 1986, the price for feed quality peas was stable at $5.00/bushel. The sales were good, with virtually no carryover. The larger crop in the E.E.C. has greatly influenced the price of feed peas. The price has decreased to $2.75 - $3.00 per bushel. The price of peas for human use has decreased from $4.75 per bushel to $4.00 bushel. There is a very strong pressure from other areas of the world because of good crops and eroding markets. There is a need to develop new markets, if this crop is to stay viable.

There will be a major decrease in mustard acreage, because of the high production last year. The high production resulted in a large carryover. Movement of the 1986 mustard crop was hindered by both rail strikes in the east and west. The pipeline is basically full. The March contract price for yellow (white) mustard is $0.08 per pound and $0.06 - $0.07 for brown and oriental mustard.

Canaryseed acreage will remain similar to last year. High level of production in the last two years has greatly influenced and reduced prices. Canaryseed is also influenced by competitive crops, especially millet. Because of the very small specialized market, it is very easy to over produce and influence the market. The price has dropped from $0.11 per pound in 1986 to $0.07 per pound in March, 1987.

Sunflowers were included in the Special Grains Programs this year. The price of sunflowers is at $0.09 per pound. It is important to note that sunflower production is only suited to certain parts of the province.

The safflower acreage will remain about the same in 1987 even with the increased interest expressed. The acreage is influenced by the fact that it can only be grown in certain areas of the province. Prices are influenced by the high U.S. production of safflowers, and will likely remain around $0.09 per pound for 1987.

Price Forecast for 1987/88

Crop	Price
Lentils	$0.14/lb
Peas (feed quality)	$2.75-$3.00/bushel
Peas (human quality)	$4.00/bushel
Mustard (yellow and white)	$0.08/lb
Mustard (brown and oriental)	$.06-$0.07/lb
Canaryseed	$0.07/lb
Sunflowers	$0.09/lb
Safflowers	$0.09/lb
Fababeans	$0.07/lb
Buckwheat	$4.00/bushel

Top Management Program

The Top Management Program uses a computer forward planning model that generates a cost of production report as well as projected financial statements for the next five years. The computer program has been developed by Dr. Schoney at the University of Saskatchewan for Saskatchewan farmers. This computer model allows a farm manager to enter information on his farm business, develop different scenarios for the future and test the strength of the farm business. The computer program will provide specific information on:

(1) What is the best combination of crops? For each product produced on your farm, this computer program will provide a detailed breakdown of the costs and returns. This information will allow the farm manager to determine what combination of products is best for his farm and where cost can be reduced for each product.

(2) Is machinery investment adequate, too high or too low? This computer program will provide cost on a per acre or per hour basis for each machine on your farm. It will provide an estimate of the number of hours a machine is used per year. This information will be valuable in deciding which equipment needs to be upgraded or downgraded.

(3) Given the present economic condition and expectations for the future, will the farm business continue to grow? Lower grain prices have substantially reduced farm incomes. Planning ahead for the next few years will make it easier to deal with the uncertainty that exists in the world markets for the products that are produced in Saskatchewan.

Through a series of three meetings, the University of Saskatchewan and Saskatchewan Agriculture staff provide a detailed outline of how the program operates, explains and assists in gathering the information on each individual farm and assists in analyzing the results and looking at alternatives. Written financial reports as well as floppy diskettes with all the farm information on it are provided to each farmer. This information can be updated annually. In addition, your Regional Farm Management Specialist will be able to update the information and analyze new opportunities for the farm business as they occur.

Individuals who are interested in participating in the Top Management Program should contact their Regional Farm Management Specialist or Dr. Schoney at the University of Saskatchewan, Saskatoon, 966-4018 or Don Barber of the Economics Branch, Saskatchewan Agriculture, Room 329 - 3085 Albert Street, Regina S4S 0B1, phone 787-5962.